

# **THE ECONOMIC CHARACTERISTIC OF PRODUCTS AND SERVICES IN THE SPHERE OF COMMUNICATIONS AND INFORMATIZATION**

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## **1. Introduction**

Communication and informatization fields are particularly important in ensuring the functioning of the economic, social and other spheres of society which says about special significance of (economic, social) communication services. In Okinawan Charter for Global Information Society was marked, among the main priorities, multiple directions and ways of development of information society directly related to telecommunications networks and communication services. This document states that “a number of services, including telecommunications, transportation, parcel delivery, are essential for the information society and the economy, increase of their effectiveness and competitiveness will allow to expand the benefits of the Information Society...”[1].

Presently significant requirements are increasing as to the number and quality communication services, due to the fact that they come across with almost all aspects of life of human and functioning of society. Experienced usage of modern communication says that that communication services have a significant influence on its economic, technological, social and cultural settings. At the same time, along with the importance of this sector activity of society, main feature of the present stage in the development of social production is the rapid increasing consumption services and the economy of different developed countries today is characterized as a Economy Services. With all of this, still there is no single generally accepted notion about services. Analysis of the economic content of investigated the term “services” will identify such it’s essential characteristics, which have not been adequately displayed earlier.

## **2. Analysis of the recent research and publications**

The solution to the problems associated with analysis of current trends, which are resulting to formation the foundations of the information society is represented in the works of foreign scientists like D. Bell, E. Toffler, I. Masuda, M. Kastels, P. Draker et al. In our country, the problems of the communication services formation and development are studied in the latest publications of national scientists P. Vorobiyenko, V. Granaturov, V. Orlov and others. But there are still issues that need further research.

## **3. Economic characteristic in the sphere of Communication and Information of products and services**

In the sectors of material production is the production process, resulting in such products or services which provided to consumers and have use value, and having the ability to meet the needs of society. In the field of Communications and Informatization consequence of the production process is such a specific product which differs significantly from conventional widespread kinds of products, whether production means or consumer goods. The products of communication is the cumulative useful result of the transmission of postal, telephone, telegraph messages, computer information data, radio programs and television, telepathic services (video text, telex, fax, etc.) [2].

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Essential feature of the communication products is its immaterial nature. The process of communication industry creates the material benefit – this is a useful result of moving information when the consumer receives the information which directed him from another remote point in space. A product, which appears in the form of services, has no material form. The notion of “service” and “products” – are two sides of the same consumer cost.

When talking about consumption of consumer value we use the term “service”. Service for the consumer is a useful outcome of the process of transmission messages [2].

Services are somehow related to all modern economics. Available services have an important role in enhancing the prosperity population. State revenue, profits of firms and the level of social protection of the population depends directly on the quality of services.

There is a possibility to compare the one service from another due to the presence in the market services consumers and stimulate manufacturers (competitors) to provide quality services to customers.

Constant development of service sector needs the preconditions consumption patterns of population, growth fate of services in the economy and reducing the proportion of material consumption. It's necessary to expand the network of companies that provide services, increase the volume of realization services, introduce new forms and types and improve the quality of services provided.

The constant increase of services is confirmed international experience. In developed countries GDP share of services is about 2/3. Number of employees in the service sector in the United States has reached 79% of total employment. In Germany in the service sector employs 41% of the workforce, in Italy – 35% [3]. Judging by the projections, increase in jobs will be implemented at the expense service sector.

The service is a sufficient complex social phenomenon. Services have existed for a long time as a kind of economic activity. Various interpretations of the term “service” is given in the scientific literature.

In classical economic theory lays the foundation for the development of the theory of services. Determined that the service, as a specific usefulness, usefulness in the form of activity has dual nature and is the result firstly when one type of service being implemented in the product, and secondly – imperceptible and has no marketable form [4]. Also in the scientific literature proposed to consider “service” in two senses: the broad and narrow.

A broad sense interpretation is based on the fact that the results of work designed is not for needs and can act in different forms, satisfy different needs and thereby to provide the country, economic actors and to the population services [4].

The narrow sense of service – is based on activity that does not take subject-material form, that service makes use value, moreover it is useful as an activity.

In the A. Smitt's concept of productive and unproductive labor services are separated from the material wealth [5] and proceeding from this does not create wealth. Therefore A. Smitt has concluded that services don't have an economic nature and examines services only in terms of the importance to society.

Other authors [6] by analyzing the service sector exhibit opinion on services as a special type of wealth that can generate income.

A. Marshal, D. Rikardo, E. Bem-Bawerk when approaching the classical labor theory of value and marginal utility characterized service as a form that has utility.

According to the dictionary, services – is the work performed by order and which does not lead to the creation of an independent product, goods, services including: of transport ... communication,

personal, housing and communal, physical culture and sport, consulting, innovation, marketing ... the production of goods made to order, including goods made on commission (materials) [7].

According to another source, service is:

- 1) the action that directly benefiting, helping to another;
- 2) activities of enterprises and organizations and individuals made to satisfy someone's needs;
- 3) a system of household benefits to the population [6].

Notably, by summarizing the different approaches to the interpretation of the term “services” should be defined, that they have significant differences. But all of them can be reduced to the direct results of work in the form of useful effect, which has no material form.

In the most general form F. Kotler has given the following definition of this term: “Service – is any activity or favor that one party has to offer to another and which are mainly intangible and does not result in another to mastering the something. Production services may be related, or may not be associated with the product in its material form” [8].

This definition of services received distribution in Ukraine, which is given in the Ukraine State DSTU Standard of 3279-95 “Standardization services. Top provisions” of 1997. It is indicated there that the service – a “directly result of the interaction of the supplier (executor) and consumer and domestic activity of the executor regarding customer satisfaction” [9].

In the Law of Ukraine “About Telecommunications” [10] the definition of communication services used with the meaning: communication service – is a product (result) of activity the operator and / or the provider of communication, aimed at satisfaction of consumer demands in the communications. That is, the communications companies that provide services to customers referred by the operator or the communication provider.

The operator of communication is a business entity which has the right to operate in the field of the communication, with the right to technical maintenance and exploitation of communication networks [10].

The communication provider is a business entity that has the right to pursue activities in the field of communication without the maintenance and operation of communication networks and communication channels [10].

Consumers of communication services are the legal or physical persons who need, order and/or get the communications services for their own use [10].

At one time in the economic literature discussed the concept of “production communication sector”, which meant spending finished (completed) the process of transmission messages within the limits of communication sector. This information is delivered to the consumer and subjected to realization. In contrast from it, the partial, unfinished scale of the individual enterprise (as defined phase a complete production cycle) was defined as the production of the enterprise and in many cases did not have a entering to the consumer. Such an interpretation was necessary at a certain historical stage of economic in the communication. The introduction into circulation of this concept (term) had progressive significance.

As a whole the notion of “service” in the public mind, and in economic science was considered as an activity that is not involved in the creation of the gross national product and does not create the national income. This led to a significant loss of its time in terms of planning authorities field of communication, has reduced share of capital investments, which stood on this industry and the significant losses undergone service workers, because it was believed that they were not involved in the creation of national income, and therefore, do not create a profit and your own payroll. The scientists economists-signalmen fought for recognition that the labor of signalers is a productive, which plays an important role in creating the national income, and they relied on fair evidence that the labor of

signalers is expended in material production and the fact that it is productive, and in its specificity, it has the shape of services. Emphasizing the material basis of the communications industry at this historical stage the concept of “communication product” was introduced in order to show the identity of the economic results of labor in communication sector with other sectors of material production. Now the entire industry and widely recognized productive character of the labor of signalers is assigned to the sphere of material production. The connection serves the public administration, all sectors of material production, non-production sector (health, education, culture, etc.) and the population.

Separately outside of the process of production services can not exist, because its consumption and production at the same time, the accumulation and assembly of communication products also impossible. This shows of particular importance of quality of the communication products as fixing or replacing the defective products is not possible. Products to the consumer receives in the production process, and in the case of defective goods it gets incorrigible damage.

Speaking about long-distance communication products: letters, telegrams, long distance calls that moves information is carried out with simultaneous participation of several enterprises, geographically distant from each other, and relatively independent. Each of these enterprises fulfills its functions, someone perform the production function in the final phase, the other on the transit or input stage of information transfer, but there are those, that ensure smooth functioning and exploitation of linear-cable management. Hence it turns out the fact that the useful result in the form of communication products can be derived only during the aggregate set of communication enterprises that provide moving information at all stages, from the sender to the recipient, it is essentially distinguishes the communication products from other sectors of material production. And every single enterprise at the same time taking part in the full production cycle only partially, only on their phases of moving the information. It follows that the products of communications industry is significantly different from the products of the communication enterprise, they are not the same nor the use value or cost.

Communication Products that has a complete character, is the shaped services. Only the service that has developed from a sender to a recipient may be subject to realization and be suitable for consumption. As for the products of the communication, it has another use value, is incomplete, partial character, because it represented the implementation of certain production functions at various stages of the whole production cycle: output, transit and input. Taken together, a number of individual communication enterprises, the implementation of one of the stages of the production cycle, creating a complete product area – communication services (transferred telegram, made a phone conversation, etc.).

Hence, the main difference between the communications industry from other sectors of the economy – its linearity. For example, if the company provides industrial products (clothes, shoes, tools, etc.), network communication products will be released only in the aggregate product of individual companies in this industry. That is, in the field of industry products and products of companies as the same consumer value. Products of individual communication enterprises to the implementation of such phase is the necessary of production processes will be uncompleted character and cannot be used to consumer that the product will not be realized as a finished product.

The final product which is fit for consumption – the communication service is created only as a result of the production process a number of companies that operate together. Such communication services subject to the implementation, and that it installed prices. Due to the fact that the production take part a lot of enterprises, there is a necessity to define the field of communication participation of each company in its manufacturing process and in accordance with that its share in the tariff-price of the sold communication products. So between enterprises are mutual payments between those sells the final product and those who was involved in the exercise of transmission messages.

Every communication enterprise aimed at the implementation its stage in the production of the full production cycle. Execution the share of operations from full production cycle provides production the intermediate products, such as long-distance communication is the of transmission messages – it's the output stage or acceptance – the input stage or transit.

Indicators of the products of communication industry and the product of communication enterprises for a long time been used to assess the results of their production activities, to calculate on it's the most important economic indicators from the definition of the category of the enterprise and as a basis for calculating its own revenues. Now with the transition to the market and by amplification the orientation of the production of the final product in this matter undergoes substantial changes.

#### **4. Conclusion**

Communication – it's more important factor in economic development and prosperity of the nation. Specificity of the telecom operator's product is one of the characteristics of the industry. Therefore, definitions of products and services are appropriate. For full disclosing of such important concepts as communication services necessary versatile discussion of this question from as a practical well as from a methodological points of view, followed by determination their of legal documents. Because the program of economic development of any country cannot be considered balanced and efficient if there is not enough attention paid to communication services for the development of national economy, to improve the competitiveness of production and until you provide a priority of the development of national communication systems.

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#### **Summary**

The basic economic characteristics of products and services in the sphere of communication and informatization are considered in the article.

**Key words:** the communication, the informatization, the economic characteristics, the products, the services.

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